



HF 652 – Tax Credit Limitation (LSB2629HV)

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Fiscal Note Version – New

Description

[House File 652](#) modifies a number of existing tax credit programs, reduces annual tax credit limits within several Economic Development Authority (EDA) programs, makes changes to the Research Activities Tax Credit, and provides for transfers to the Cash Reserve Fund and the Taxpayers Trust Fund.

Tax credit programs limited and reduced in the Bill include:

- Beginning Farmer Tax Credit
- Biodiesel Blended Fuel Tax Credit
- E-15 Plus Gasoline Promotion Tax Credit
- E-85 Gasoline Promotion Tax Credit
- Ethanol Promotion Tax Credit
- Historic Preservation and Cultural and Entertainment District Tax Credit
- Solar Energy System Tax Credit
- Geothermal Heat Pump Tax Credit
- Geothermal Tax Credit
- Innovation Fund Tax Credit
- Qualifying Business Tax Credit (Angel Investor)
- Research Activities Tax Credit
- Redevelopment Tax Credit
- High Quality Jobs Program Tax Credits

The Bill reduces the maximum aggregate tax credit limit for a combination of EDA programs to \$128.0 million per fiscal year and strikes a provision allowing the EDA to exceed the limit under specific circumstances.

The Bill transfers the estimated net General Fund savings projected to result from the Bill's changes to the tax credit programs to the Cash Reserve Fund and to a new account within the Taxpayers Trust Fund called the Tax Expenditure Limitation Account.

Assumptions

The Department of Revenue provided the estimated tax credit redemption amounts associated with the changes in the Bill. The estimates were produced using the same process the Department uses to produce the Department's [Contingent Liabilities Report](#). The expected tax credit redemption reductions by tax credit are provided in the following table.

Projected Reductions in Tax Credit Redemptions					
Tax Credit Program	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Agricultural Assets Transfer Tax Credit	\$ 0	\$ 194,000	\$ 112,000	\$ 59,000	\$ 39,000
Custom Farming Contract Tax Credit	0	23,000	13,000	13,000	4,000
Biodiesel Blended Fuel Tax Credit	0	339,000	2,382,000	5,073,000	5,289,000
E-15 Plus Gasoline Promotion Tax Credit	0	13,000	78,000	179,000	275,000
E-85 Gasoline Promotion Tax Credit	0	0	13,000	101,000	306,000
Ethanol Promotion Tax Credit	0	0	0	0	0
Geothermal Heat Pump Tax Credit	0	0	0	0	0
Geothermal Tax Credit	0	815,000	1,007,000	1,015,000	1,164,000
Hist. Pres. and Cultural/Entertain. Dist. Tax Credit	0	0	4,851,000	7,851,000	9,851,000
Redevelopment Tax Credit	0	0	184,000	650,000	1,173,000
Renewable Energy Tax Credit	0	0	0	0	0
Solar Energy System Tax Credit	0	457,000	662,000	723,000	757,000
Innovation Fund Tax Credit	0	844,000	1,468,000	2,043,000	2,155,000
Qualifying Business Tax Credit	0	0	0	0	0
Research Activities Tax Credit	456,000	4,674,000	22,737,000	39,986,000	44,101,000
Research Activities Tax Credit (Supplemental)	0	0	0	0	99,000
Total	\$456,000	\$7,359,000	\$33,507,000	\$57,693,000	\$65,213,000

Fiscal Impact

For FY 2017, the Bill is projected to increase net General Fund revenue by \$456,000.

For FY 2018, the Bill will increase Cash Reserve Fund revenue by \$7.4 million.

For FY 2019 through FY 2021, the Bill will increase Taxpayers Trust Fund revenue by the following estimated amounts. The dollar amounts are to be deposited to a new, separate account within the Fund called the Tax Expenditure Limitation Account.

- FY 2019 = \$33.5 million
- FY 2020 = \$57.7 million
- FY 2021 = \$65.2 million

To address revenue implications beyond FY 2022, the Bill states that it is the intent of the Legislature that a future General Assembly enact legislation to allocate the increased revenue resulting from this Bill beyond FY 2021 to the Tax Expenditure Limitation Account of the Taxpayers Trust Fund.

Source

Iowa Department of Revenue

/s/ Holly M. Lyons

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The fiscal note for this Bill was prepared pursuant to Joint Rule 17 and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.